



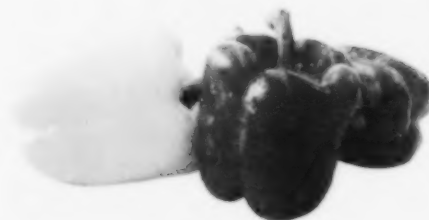

Agricorp®

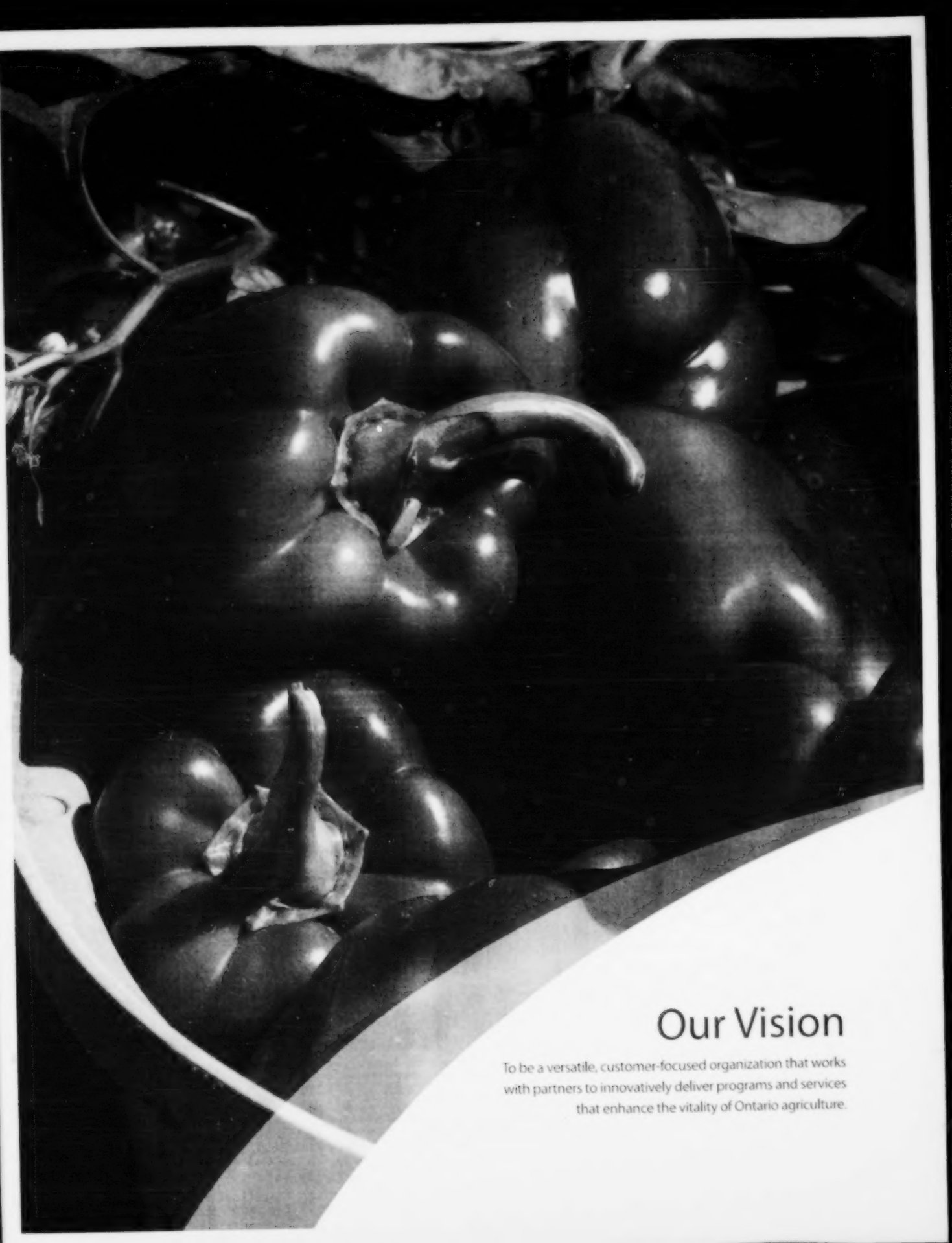
Connecting producers
with programs

2008-09 Annual Report

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Our Vision

To be a versatile, customer-focused organization that works with partners to innovatively deliver programs and services that enhance the vitality of Ontario agriculture.

Introduction

A STRONG AGRICULTURE INDUSTRY PLAYS AN INTEGRAL ROLE IN ONTARIO'S ECONOMY. IT PROVIDES SAFE, NUTRITIOUS FOOD, CREATES EMPLOYMENT, AND SUPPORTS THE HEALTH AND WELLBEING OF ALL ONTARIANS.

As an agency of the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA), Agricorp is deeply committed to strengthening the province's agri-food sector. By working with industry partners, Agricorp helps keep Ontario's agriculture industry vibrant and sustainable through the delivery of business risk programs that support government priorities in this area.

Agricorp is also committed to operating with the utmost integrity and transparency, something that has been recognized by its customers through the organization's annual customer satisfaction survey.

In addition to its two core programs of AgriStability and Production Insurance, Agricorp delivers the Risk Management Program for Ontario grain and oilseed producers, the Orchards and Vineyards Transition Program (OVTP), and Farm Business Registration (FBR), among others.

In 2008-09, Agricorp delivered \$320 million in program payments through 27,000 cheques.

Through its comprehensive three-year strategic plan, the agency outlines initiatives designed to continually improve its customer service and the efficiency of its delivery processes and methods. Agricorp's goal is to provide predictable, consistent and excellent customer service while continuing to earn the confidence and trust of the people it serves – Ontario's agricultural producers.

This annual report details Agricorp's progress towards these areas of focus.



Mission

We connect producers with programs. We partner to deliver risk management programs that are responsive to the changing needs of agriculture.

Delivery is our strength. We focus on efficient and effective delivery of programs with quality, integrity, and transparency.

Customers are our priority. We want to deliver consistently professional service and programs that provide security today while helping our customers manage their risks in the future.

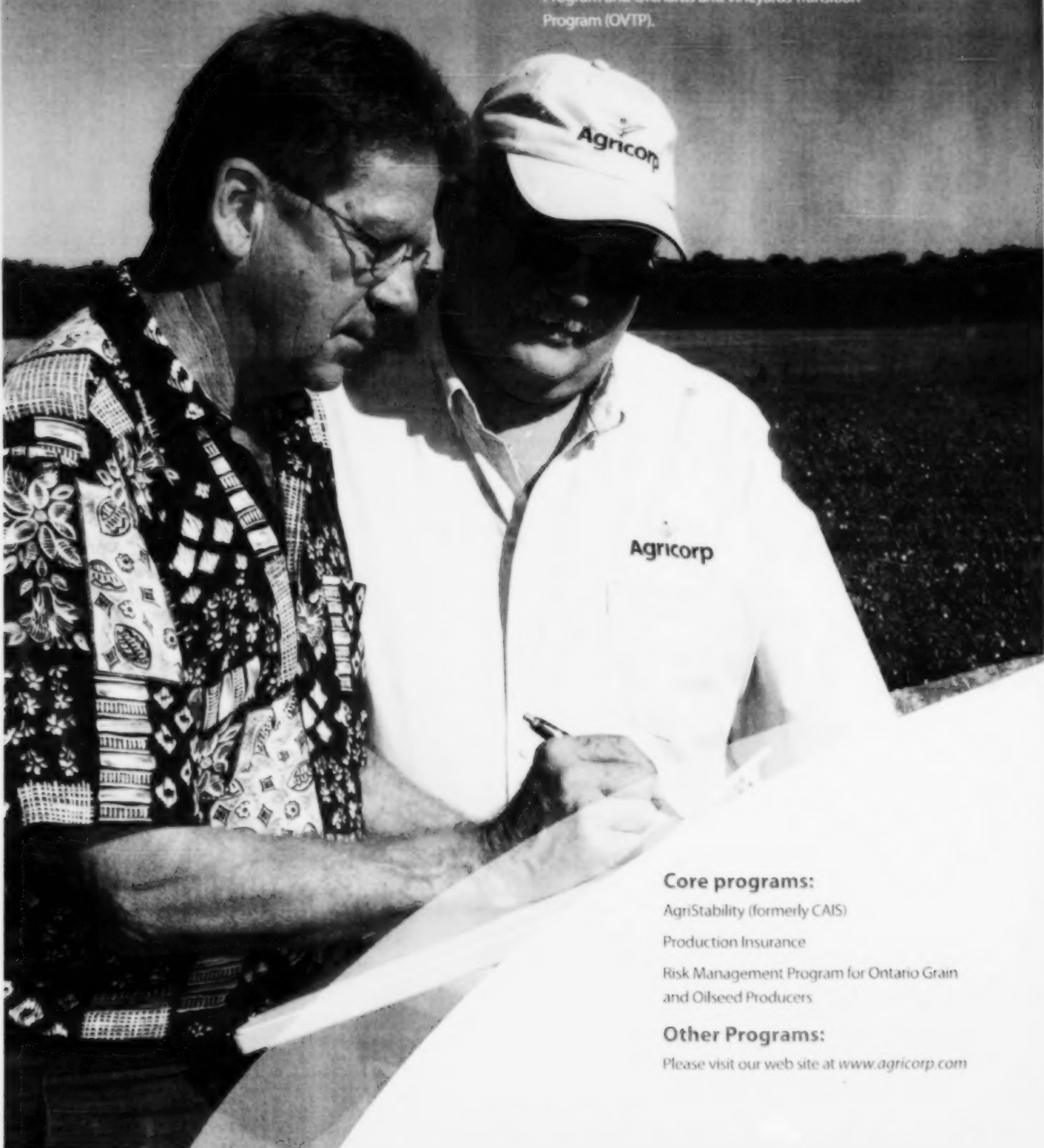
Our people are the foundation of our success. Collaboration and continuous improvement harness our many strengths for a common focus.

We are publicly accountable. Through the prudent expenditure of public funds, we deliver programs on behalf of our agricultural and government partners with consistency, openness and dependability.

Programs

Agricorp's mandate is to deliver agricultural support programs for the farm, food, and rural sectors of Ontario. Farm support programs include major federal-provincial programs such as

AgriStability (formerly the Canadian Agricultural Income Stabilization Program – CAIS), Production Insurance, as well as initiatives that target specific provincial needs such as the Risk Management Program and Orchards and Vineyards Transition Program (OVTP).



Core programs:

AgriStability (formerly CAIS)

Production Insurance

Risk Management Program for Ontario Grain
and Oilseed Producers

Other Programs:

Please visit our web site at www.agricorp.com

Chair's Message



Agricorp recognizes the importance of transparency and public accountability. It has a rigorous internal and program audit schedule and undergoes an average of nine audits per year. Given an annual operating budget of \$47 million while delivering over \$320 million in payments to producers, this is to be expected. As a public sector organization, we welcome these audits. They provide an opportunity to demonstrate our work and identify opportunities to improve it.

In 2008-09, one of those audits was the Value for Money Audit conducted by the Auditor General of Ontario at the request of the Minister. The Auditor was extremely thorough in his review, which allowed us to reflect on our performance and priorities for improvement. It was also good to hear, after the audit's release, that the Honourable Leona Dombrowsky, Minister of Agriculture, Food and Rural Affairs, confirmed Agricorp as the deliverer of choice.

We have renewed our commitment to customer service and delivery efficiency, and as you will see in this report, customers are already seeing a difference. According to the 2009 Customer Satisfaction Survey, 83 percent of respondents rated Agricorp as good as or better than other agricultural companies. We know we still have work to do. We understand that agriculture is a very important industry – it literally feeds the economy. And Agricorp does important work to support both the industry and the government. I know we're on the right path.

I want to thank Minister Dombrowsky and Ministry staff for their continued support. As Acting Chair of Agricorp's Board of Directors, I know this has been a significant year. I feel very fortunate to have worked with my fellow Board members and I thank them for their collective dedication to Agricorp, public service, and the Ontario agriculture industry. And finally, I must recognize the sustained efforts of all Agricorp staff and management which have resulted in an ever-improving organization in the context of a very challenging year.

David Epp
Acting Chair

Governance

Agricorp is an operational agency of the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA). Agricorp was established in 1997 under the authority of the AgriCorp Act, 1996. Agricorp is governed by a Board of Directors that is responsible for its stewardship. It also directs Agricorp's corporate governance practices.

Currently, a Memorandum of Understanding (MOU) between Agricorp and OMAFRA sets out financial, operational, audit, and reporting arrangements as it relates to the two bodies.

The MOU also details the principles guiding the organizations' relationship, the accountabilities of each party, and the roles and responsibilities of key individuals, such as the Minister, Deputy Minister and the Chair of Agricorp's Board of Directors in the operation of Agricorp.

Board Independence

Board governance guidelines as well as the roles and responsibilities of the Chair, Board members, and Board committees, are documented in the Board's by-laws. The governance by-laws articulate the Board's responsibilities in six major areas:

- Fiduciary and operational oversight
- Strategic planning
- Risk management and internal controls
- Legal and ethical conduct
- Director orientation, continuing education and evaluation
- Liaison with OMAFRA

Additionally, the roles of Agricorp's CEO and Board Chair are separate and distinct, consistent with best practices on good governance, and each Board meeting includes an in-camera session for Board-only discussion.

Board capacity and performance

The Board regularly assesses its collective performance through a structured process of self-evaluation facilitated by an external consultant. In addition, the Board reviews its collective skills and competencies annually and identifies potential gaps to the Minister. This in turn informs not only the next appointments process, but also Agricorp's future Board training and the need to hire outside expertise required on specific technical matters.

Orientation and education for Board members

Upon appointment to the Board, each member receives a detailed orientation and meets with other Board members as well as senior management to learn about the business. To gain understanding of Agricorp's business and the current issues facing the agency, the Board regularly engages in continuing education. In 2008-09, the Board attended education sessions to improve its financial literacy and enterprise risk management knowledge.

Code of Ethics and Professional Conduct

Agricorp's Code of Ethics and Professional Conduct establishes the standards of ethical behaviour and responsibility expected from its Board of Directors and employees in the day-to-day performance of their duties. To ensure understanding and adherence to these



standards, all representatives of Agricorp, including Board members, officers, and permanent, contract, and part-time employees, must sign an acknowledgement of the Code and declare all conflicts of interest annually.

To help monitor adherence to the Code and ensure that conflicts of interest are properly reported and resolved, Agricorp's Compliance Officer reviews all Board member program applications and 10 percent of all staff applications annually.

In 2008-09, Agricorp took steps to align its conflict of interest provisions with those in the Public Services of Ontario Act. As a result, provisions for staff engaged in outside business and political activity, as well as more stringent rules on accepting gifts and dealing with family members in the course of business, were introduced.

The Agricorp Code of Ethics is publicly available on its website at:

<http://agricorp.com/en-ca/about/ethics.asp>

Board composition

Board members are appointed by the Lieutenant Governor through an Order-In-Council on the recommendation of the Minister of Agriculture, Food and Rural Affairs. Directors serve terms of up to three years and may be reappointed. Board members have varied experience to provide a broad range of perspectives and proper oversight of the organization's operations.

The Board and its Committees meet quarterly, at a minimum. In addition, an annual strategic planning retreat is held where the Board reviews and identifies improvements to governance and initiates the strategic planning process to ensure the agency is on course. As of March 31, 2009 the Board had seven members.

Finance and Audit Committee

Agricorp's Board of Directors has a Finance and Audit Committee to oversee, and advise on, the financial management of Agricorp, including:

- Monitoring controllership and governance at Agricorp and reporting to the Board as appropriate
- Communicating Agricorp's business needs, expectations, and priorities for its audit plan to Ontario Internal Audit Services
- Approving Agricorp's risk assessment and audit plans
- Monitoring the adequacy and timely implementation of actions taken in response to audit recommendations
- Ensuring compliance with the Internal Audit Directives
- Meeting with external auditors and Auditor General staff as appropriate to review the year-end financial statements

The committee also oversees the employee pension fund and Agricorp's investment management activities, including periodic reviews of the investment policy statements.

The following Board members made up the Finance and Audit Committee in 2008-09: Christopher Button (Chair), David Epp, and Barbara Miller.



Members of the Board of Directors

Full biographies are available at www.agricorp.com

DAVID EPP -- Acting Chair, 2008-09 (Leamington)

Board tenure: February 2007 to June 2011

A third generation farmer and co-owner of Lycoland Farms Ltd. For the past 14 years, Mr. Epp has served with the Ontario Processing Vegetable Growers.

WILLIAM ALLISON (Georgetown)

Board Tenure: April 2008 to April 2011

A graduate of the University of Guelph, Mr. Allison is a field crop producer in Halton Hills as well as a former director with the Ontario Federation of Agriculture.

GERALD BEAUDRY (Verner)

Board tenure: June 2005 to June 2011

Mr. Beaudry has been a pedigree seed grower for the past 20 years. He was a provincial director of the Ontario Soil and Crop Improvement Association and former local president of the West Nipissing Soil and Crop Improvement Association.

CHRISTOPHER BUTTON (Aylmer)

Board Tenure: July 2004 to July 2010

A partner in the firm of DenHarder McNamers Button LLP, Mr. Button is a Certified General Accountant. A graduate of the University of Western Ontario, he is actively involved in his community.

ROBERT EMERSON (Ripley)

Board tenure: June 2008 to June 2011

Mr. Emerson has farmed since 1961. A former Regional Director with the Ontario Federation of Agriculture, he is currently President and CEO of a 150-head purebred Charolais operation.

BARBARA MILLER (Toronto)

Board tenure: February 2007 to February 2010

Ms. Miller is currently the President and CEO of Woodwyld Inc., a consulting firm working with clients whose business plans require the collaboration of the private and public sectors.

JOHN VAN TURNHOUT (Berwick)

Board tenure: June 2005 to June 2011

Mr. Van Turnhout has been farming since 1965, first in dairy, and later, cash crop and custom work. He has served as Director of the St. Lawrence River Institute of Environmental Sciences, among other local bodies.

New Appointments:

LARRY SKINNER (Listowel)

On May 13, 2009, Mr. Skinner was appointed new chair of the Board. Mr. Skinner is a full-time swine farmer who served on the board of Ontario Pork for eight years, three of those as chair. He is currently pursuing a Masters of Divinity degree from the University of Toronto.

ROSEMARY DAVIS (Cobourg)

On May 6, 2009, Ms. Davis was appointed to the Board. An agrologist with more than 30 years of experience in agriculture, she is the current owner of Sunhil Farms Limited and Sunhil Investments Limited.



CEO's Message



Agricorp has renewed its commitment to customer service and delivery efficiency. We worked closely with the Ministry to develop a Renewal Plan, which lays out specific plans for the next one to two years to make our service and delivery better. We are committed to providing:

- Faster and more accurate processing of customer files
- Better service
- More relevant, timely, and easy to understand program information
- More rigorous public accountability and transparency.

Agricorp recognizes the current fiscal limitations and the broader financial climate, and is transforming its delivery of programs through measured steps over time. In the short and medium term, we are working

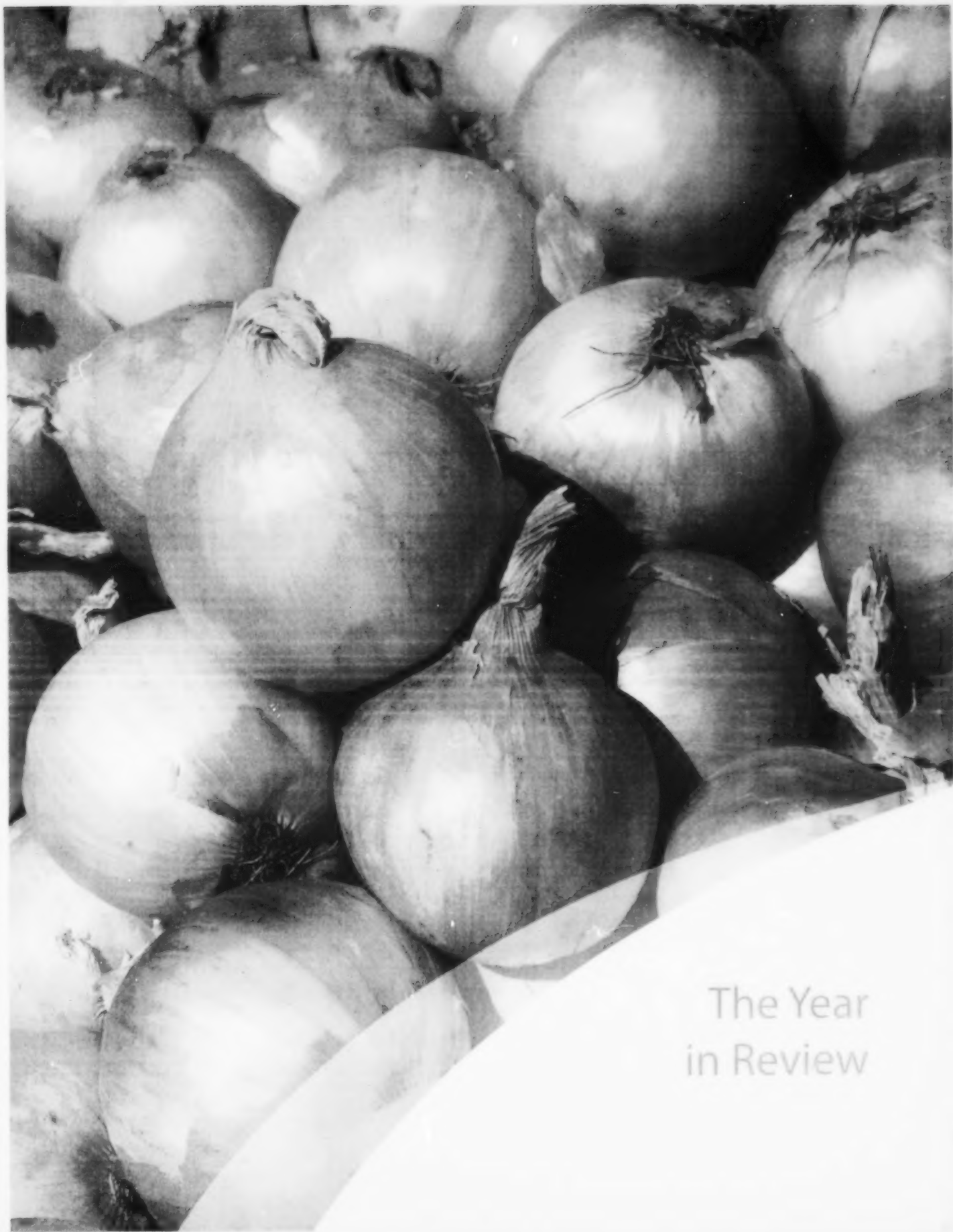
to address priority issues within existing technology systems. This year we continued to enhance the foundational aspects of our organization by adopting best practices, streamlining workflows, and building capacity in key areas, such as IT.

We have challenged everyone in the organization to make improvements in their areas, even if it takes a longer-term approach to realize. As you will read in the following pages, we made significant improvements to our delivery of AgriStability, sending our 2008 forms three months earlier than the previous year, and meeting our internal processing target. Ontario continues to compare well with other jurisdictions for AgriStability delivery. Our call centre performance has also improved dramatically. For example, call wait times are less than half what they were last year.

We have a clear vision for the future, and a solid action plan that is being implemented.

I would like to thank the Board for its leadership and support through a challenging year. Our colleagues at the Ministry have been instrumental in strengthening our working relationships and creating a culture of continuous improvement. Finally, my sincere thanks to Agricorp staff. I feel privileged to lead an organization of such engaged and knowledgeable people.

Randy Jackiw
Chief Executive Officer



The Year
in Review

IN 2008-09 WE LAUNCHED A PROCESS OF RENEWAL AND TRANSFORMATION THAT SAW AGRICORP FOCUS MORE THAN EVER ON PROGRAM DELIVERY AND CUSTOMER SERVICE.

THE RESULTS OF THE VALUE FOR MONEY AUDIT, CONDUCTED BY THE AUDITOR GENERAL, WERE RELEASED IN JULY 2008.

Requested by the Minister of Agriculture, Food and Rural Affairs, the audit was intended to assess whether Agricorp has adequate procedures in place to deliver critical farm support programs that meet the needs of

Ontario farmers effectively, efficiently, and in a transparent manner. The Auditor's findings identified opportunities for improvement in the areas of program delivery and customer service.

Agricorp's top priority is to create a customer experience where its customers:

- Have the information they need, when they need it, to make informed decisions
- Understand the agency's role in delivering government programs
- Believe that Agricorp staff can and will meet or exceed their expectations
- Know that Agricorp is making good use of public funds

Agricorp spent 2008-09 laying the necessary foundation to realize that experience.

Public Accountability and Transparency

Agricorp is committed to delivering high quality service and conducting itself according to the highest management principles of ethical behaviour and public accountability. The agency has the proper internal measures and controls to ensure it operates with the utmost integrity, a quality that has been recognized by its customers in Agricorp's annual customer satisfaction survey.

As a public organization accountable for the delivery of provincially and federally funded programs, Agricorp is regularly audited by provincial and federal auditors.



To provide trusted, transparent delivery of programs.

Performance indicator

Program delivery is perceived by customers to operate with utmost integrity, as measured by the customer satisfaction survey.

Result

More than 80 percent of 2009 customer satisfaction survey respondents indicated Agricorp "operates with the utmost integrity."

Auditing at Agricorp

Agricorp devotes significant resources to providing information for audits and implementing audit recommendations. Audits range in scope from enterprise-wide to program specific. In 2008-09 Agricorp underwent the following audits:

- AgriStability audit selection methodology consulting report
- Grain Financial Protection Program audit
- Federal CAIS (2005) audit by Raymond Chabot
- Pension plan audit
- AgriStability program payment and administrative cost audits
- Value for Money audit
- 2007-08 financial statements



Improving internal controls

The Value for Money Audit made several recommendations to improve internal controls, and Agricorp made significant improvements to controls around AgriStability payments over the year. Agricorp improved its internal audit process by redefining the methodology for selecting and reviewing AgriStability files to comply with standard audit protocols and national standards. Specifically, audits now include both payment and non-payment files.

Following a security audit on user access for the AgriStability system, user privileges were updated to reflect the users' job function/role. Plans are underway to develop processes and assign accountability to ensure quarterly update of the access control matrix.

Agricorp also implemented additional manual processes to prevent unauthorized access to the program administration system and to require additional management approvals before a payment is made.

Additionally, the agency improved its purchasing and Request for Proposal processes.

Complying with the PSOA

Agricorp has developed and documented procedures to identify and handle conflicts of interest in a consistent and ethical manner.

In 2008, Agricorp adopted the Public Service of Ontario Act, 2006 regulation as its own policy on conflict of interest. A Compliance Officer is in place to ensure all files with potential conflicts of interest receive extra scrutiny. Agricorp is also considering the establishment of a separate unit to handle these files.

Swearing or affirming an oath of office and an oath of allegiance is now a condition of employment at Agricorp. The purpose of both oaths is to remind individuals taking them of the

serious obligations and responsibilities that they have as members of the public service, including the duty to maintain confidentiality of private and proprietary information (except as required or permitted by law).

Managing risks at Agricorp

Agricorp continues to refine its formal enterprise Risk Management Framework. Its purpose is to ensure the agency has processes in place to identify risks and develop mitigation strategies to deal with those risks, as they may prevent Agricorp from achieving its objectives in the areas of governance, operations, and programs.

A key component of the Risk Management Framework is Agricorp's well-established and efficient Risk Assessment Program (RAP) which results in a suite of scheduled internal and external audits to ensure compliance with legislative and program agreements. The RAP is reviewed and monitored regularly to ensure that all levels of organizational risk are identified and have proper controls in place to mitigate them.

In 2008-09, Agricorp established a Risk Management Committee. Its mandate is to foster a risk-based approach to the delivery of programs and services, the development of business practices, the assessment of coverage changes for programs such as Production Insurance, the review of reinsurance programs, and the management of risk reviews, audit plans and all Agricorp audit activity.

Agricorp has also developed, and continues to monitor and enhance, internal risk management plans, policies, and practices. Its Board of Directors and management have prepared and implemented a series of robust risk



mitigation strategies that monitor ongoing program delivery as well as the organization's business objectives.

Planning for an emergency

The importance of business continuity planning in organizations has been highlighted repeatedly in recent years.

As a Crown agency, Agricorp is required to develop a comprehensive set of plans to deal with major, business-interrupting emergencies, like natural disasters, power disruptions or major health-related incidents. Agricorp currently has an IT disaster recovery plan that is focused on restoring IT systems and services in the event of a major disaster. Recognizing that the IT disaster recovery plan is only one component of a broader recovery effort, the agency is currently developing a business continuity plan that encompasses all aspects Agricorp's operations to ensure continuity of critical services in such an event.

Once the plan is complete, it will be rolled out to all Agricorp staff. An Emergency Response Team will be in place to implement an event-specific plan of action, including advising staff where and when to report (or not to report) for work, liaising with other emergency response officials (such as police, medical personnel, fire fighters), establishing computer services at the offsite location, and preparing a communications strategy for employees, customers, government partners, among other responsibilities.

The project is planned along a series of milestones and successful completion is scheduled for 2010.

Strengthening governance and accountability

To enable the efficient and effective delivery of business risk management programs in Ontario, Agricorp and OMAFRA launched a joint governance project during the 2008-09 fiscal year.

A project management team comprised of members from both organizations has been tasked with reviewing and approving a formal governance structure and documented performance framework within which both parties will have a common vision of their respective roles, responsibilities, and accountabilities.

The governance framework is expected to be completed in the 2009-10 fiscal year.

Overpayments

Inherent in the nature of the business risk management programs delivered by Agricorp is a risk of paying a producer an amount in excess of what is entitled. This risk is currently mitigated by offsetting overpayments against future program benefits. Agricorp and OMAFRA established a joint working group to enhance the current approach to collections for all programs that Agricorp administers.

Over the past six years, Agricorp has made nearly \$2.5 billion in payments to producers. During 2008-09, \$14 million in overpayments were recovered. Most of these overpayments are associated with the Canadian Agricultural Income Stabilization (CAIS) Program and its related Inventory Transition Initiative. The policy, to be completed in 2009-10, is expected to include a targeted approach for collecting outstanding debts.

As of March 31, 2009, \$27 million of overpayments remain outstanding.



Faster, more accurate processing

When Ontario's producers contact Agricornp, they want to know that the service they receive will be efficient, consistent, and timely. And when customers apply for farm support payments, they expect their applications will be processed accurately and transparently.

Key goals for Agricornp in the 2008-09 year were to:

- ensure Agricornp's workflows are efficient and support a consistent customer experience
- provide technology infrastructure that supports business processes
- reduce the time it takes to process customers' files

The organization made significant improvements in all of these areas. Two programs that illustrate these improvements are AgriStability, which covers growers' margin declines of more than 15 percent, and Production Insurance (PI), which protects Ontario producers from yield reductions and crop losses caused by adverse weather and other insured perils.



To deliver payments in a timely, predictable and accurate manner.

Performance indicators:

Achieve 95 percent of AgriStability 2007 file completion by December 31, 2008.

Improve on the target of 20 business day turnaround on Production Insurance claims.

Results

Processed 95 percent of AgriStability 2007 files by December 31, 2008.

Achieved an average of 17.7 business day turnaround on PI claims.

Processing targets met

AgriStability

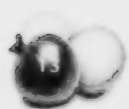
In 2008-09, Agricornp's internal target was to process 95 percent of 2007 customer AgriStability applications by December 31, 2008. To meet this target, Agricornp:

- Accelerated collection of missing information or verification of information needed to process remaining 2007 files by following up directly with participants and agents.
- Improved its reasonableness criteria for, and documentation of, file verification to provide assurance that its verification processes are reliable, consistent and efficient.

As a result of these enhancements, by end of December 2008, Agricornp had achieved its target of processing 95 percent of 2007 customer files. The national average was 76.1 percent.

Agricornp also made significant improvements to help meet next year's target:

- Improved *myAgricornp.com* by enabling customers to complete their AgriStability forms online, adding a printing capability, and opening this site for business one week earlier than the previous year and before applications were mailed to customers
- Created the ability for agents to sign into *myAgricornp.com* once for all their clients
- Conducted staff training at Farm Business Consultants (a tax agency that submits the most AgriStability applications yearly) on how to use *myAgricornp.com* and improve data submission to improve accuracy
- Implemented system functionality to allow AgriStability customers to submit



information based on the accrual method of accounting

- Mailed approximately 24,000 applications by February 15, 2009, or approximately 10 weeks earlier than the previous year

A national standard for processing AgriStability program applications was established in 2008: to complete 75 percent of files within 75 days of receiving all required information.

Unlike other provinces, Ontario's deadline for AgriStability is harmonized with the June deadline for reporting farming income and expense information to the Canada Revenue Agency. This approach has been successful in that Ontario has had more files processed than any other jurisdiction. In other provinces the deadline to submit applications is September 30, which spreads the processing workload out over a longer period.

In 2008-09, Agricorp processed 49 percent of AgriStability files within 75 days of all information being received.

Production Insurance

In 2008-09, Agricorp introduced a number of enhancements to PI processing. These included creating and implementing measurable customer service standards for all field staff and monitoring outstanding claims twice a week with reports sent to field staff for status updates and timely follow-up.

The results of these efforts was that for the year ending March 31, 2009, payments were being sent to customers on average within 17.7 days of application, out-performing the internal target of 20 business days for PI processing.

Re-aligning internal processes to benefit customers

To support its renewed focus on customer service and delivery, this past year Agricorp began implementing significant changes within the organization. These included adopting best

practice workflows used in the financial services industry and initiating the creation of standard operating procedures (SOPs) to guide Agricorp's work across the organization. These redesigned business processes will create integrated, streamlined delivery channels that will allow Agricorp to administer customer applications, adjudicate files, and issue payments more efficiently.

Among their many advantages, the new business processes are intended to:

- Provide a predictable and consistent customer experience
- Guide the development of future, customer-focused technology enhancements
- Provide a framework for quality
- Promote technical competencies and performance metrics
 - Enable Agricorp to execute and compare itself against industry best practices
 - Enable better talent management

The changes described above will also enable Agricorp to respond more quickly and effectively to new programs while minimizing the impact on other delivery priorities.

Faster processing through better agent service

More than 80 percent of AgriStability participants use an agent to act on their behalf. These agents — typically accountants or bookkeepers — process financial data, complete and submit program forms, and may deal directly with Agricorp regarding any questions or concerns about their clients' files.

Recognizing the key role agents play in helping the nearly 20,000 producers they serve, Agricorp launched several new initiatives to enhance the service it provides to this important customer group.

In late January and early February 2009, Agricorp staff hosted information sessions for agents at



eight locations across the province to promote enhancements to the myAgricorp website and help agents better understand how to properly complete AgriStability forms. Approximately 300 agents attended at various locations throughout the province.



Starting in April 2009, each agency was to be assigned its own account on myAgricorp. This will allow any agent from any location to use a single login ID to access and submit information for

any AgriStability participant working with their agency.

This represents a significant process improvement. In the past, agents had to obtain each producer's login ID for myAgricorp and then separately log in to every individual producer's account to submit the forms electronically. Given that the top five agencies represent an average of 971 producers each, the ability to log in with just one ID is expected to save time, improve the accuracy of the information submitted and ultimately enable Agricorp to deliver AgriStability benefits to producers much faster.

Designing a better delivery system

In 2008, Agricorp joined a National Task Force that is working to develop a common technological software system that may eventually deliver business risk management programs faster and more efficiently. In addition to Agricorp, the federal government, OMAFRA, British Columbia, and Saskatchewan are part of this task force.

A series of workshops and meetings was held to assess what each province involved needs, determine the technical architecture required to develop a cost-effective national platform and

identify any gaps. A highlight for Ontario and Agricorp was the acceptance by all jurisdictions of Agricorp's proposed future framework for an integrated solution to view customer accounting and farm data across programs. Agricorp has begun enhancing its computer systems to implement this cross-program view and introduce integrated financial functionality that will produce a consolidated financial statement for customers. One of the aims of this project is the ability to deliver faster payments to customers.

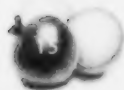
As of March, 31, 2009, the task force had been asked to complete a series of deliverables, including drafting a proposal for a National Business Risk Management Software Initiative, developing a governance model for a national development capability and collaboration, and building a cost/benefit model to substantiate the net savings of a national versus a provincial approach.

Providing better service

To better serve its customers, Agricorp recognizes the value of consulting with customers to gain a better understanding of their needs and expectations.

At the centre of these activities is an annual customer satisfaction survey, conducted by a third party. To complement this research, Agricorp also acquired software to solicit more timely customer feedback on Agricorp's performance and areas for improvement. This tool allows Agricorp to contact customers directly within 48 hours of their experience with the agency's call centre.

Additionally, the agency contracted a third party to conduct agent and producer focus groups in January 2009 to learn more about their needs, review customer initiatives, identify improvements needed and validate other enhancements planned. Less formal but no less important, Agricorp also values feedback from



staff through daily interactions with customers, including at trade shows and industry meetings. All of these sources of information help Agricorp better understand the customer experience and identify opportunities for continuous improvement.



To provide service channels that customers can reliably use to conduct business with Agricorp.

Performance indicators:

Customer satisfaction with the quality of service as measured annually by a customer satisfaction survey.

Results

The 2009 Customer Satisfaction Survey results showed that 83 percent of 400 respondents rated Agricorp as good as or better than other agricultural companies, up from 77 percent in 2008.

Improving the call centre's performance

As a result of customer feedback, Agricorp made improving call centre performance a top priority in 2008-09. Initiatives to reduce wait times and improve the quality of information provided included:

- Implementing a new phone tree to better direct callers to the right person the first time
- Installing dual monitors to enable customer service representatives (CSRs) to access PI and AgriStability systems simultaneously

These enhancements resulted in faster responses, and shorter calls. In 2008-09, callers waited an average of 58 seconds to reach a CSR, versus 87 seconds the previous year. The length of a call averaged 4.73 minutes, one minute less than the previous year as well. Additionally, according to the 2009 Customer Satisfaction

Survey, call centre ratings improved to 3.71 out of 5.0 in 2009 (3.68 in 2008), which is above the 5-year average.

Thanks to cross-program training for CSRs, producers now can receive the information they are seeking with the first call placed, fewer calls are being transferred, fewer calls require follow-up calls, and fewer voicemail messages are left — in 2008-09, there were 5,300 fewer voicemails than the previous year.

To further improve customer service and build specific industry and program knowledge, Agricorp offered additional targeted training to its frontline staff. Individual CSRs were paired with field staff. The CSRs benefit from the field staff's agricultural expertise, and the field staff benefit from the CSRs' consistent messaging. Agricorp also created specialist positions in the field to offer producers regional resources with program and commodity types.

A focus on quality and performance standards

As of February 2009, Agricorp was in the process of establishing a dedicated Quality Assurance and Performance Standards (QAPS) unit.

Once established, the unit's goal will be to support Agricorp's objective of providing a consistent and predictable customer experience by consolidating quality-related services in one area. QAPS will be responsible for:

- Managing the organization's customer disputes and appeals processes,
- Monitoring underwriting risks and any unique or large loss claims that have been escalated, and
- Ensuring the Program Delivery Division's standard operating procedures are adhered to and kept current and relevant

When fully staffed, the unit will have a seven-person team of senior quality advisors, quality advisors, reporting specialists, and

administrators/dispute coordinators. The unit will be responsible for resolving complex cases and reviewing files and their handling to make sure the right people are engaged at the right time. The unit will be accountable for examining trends and how these are documented for continuous improvement purposes.

A tailored approach to risk management

Two years ago, in partnership with industry, Agriculture and Agri-food Canada, and OMAFRA, Agricorp launched new Production Insurance plans for fresh market vegetables, an agricultural sector previously underserved by risk management programs. These new plans recognize the unique needs of horticulture producers by covering specific fields and planting and harvest periods.

One hundred and four crops are now covered under the Fresh Market Vegetable – Acreage Loss (FMV-AL) plans, on an acreage basis, which is especially valuable to this sector where losing just a few acres can significantly reduce a producer's profits.

But what is probably most significant about FMV-AL is the amount of highly-specialized service it provides to plan participants. Agricorp field adjusters visit each new participant at the beginning of the growing year, to discuss what the producer is growing and particulars of the plan. Depending on the specific crops grown, this initial visit is followed by another at harvest, or as needed through the growing season.

Field adjusters receive highly-specialized training to help FMV-AL customers. In 2008-09 adjusters were trained on threshold sampling, grading standards, and plant diseases.

More relevant, timely, and easy to understand program information

Easy-to-understand, relevant, and timely information helps producers understand complex programs and make informed decisions. As the Auditor General noted, "Farm support programs cannot serve their intended purpose if producers do not know about them, do not understand them, or cannot keep up with the changes."

The programs Agricorp delivers are necessarily complex to reflect the diversity and complexity of Ontario's agriculture industry. Agricorp is responsible for clarifying and simplifying those complexities wherever possible. Every interaction with its customers is an opportunity to build trust, confidence, and knowledge. With this in mind, Agricorp is reviewing every customer touch point to continually improve the customer experience.



To provide easy-to-understand, relevant, and accurate communications that help producers make informed decisions on programs.

Performance indicator:

Customer satisfaction with the quality and quantity of program information as measured annually by a customer satisfaction survey.

Results:

Customer satisfaction with written communications improved for all programs but the most dramatic improvement was with AgriStability information. Respondents to the 2009 Customer Satisfaction Survey said written information about AgriStability, one of Agricorp's most complex programs, was excellent or good, resulting in a 20 percent improvement over 2008 results.



Redesigned statements and forms

One of the biggest accomplishments of the year was revising the 2008 AgriStability Calculation of Program Benefits (CPB), to clearly explain how a participant's payment is calculated.

The new, redesigned form now includes the benchmark per unit (BPU) values used in calculating any structural change; it is also formatted from the customer's perspective, sequencing the information according to the customer's needs rather than Agricorp's internal needs or processes. For example, page one of the new statement contains a summary of the participant's margins, margin decline, and benefit calculation – the most important information to the customer – instead of the detailed income and expense records that inform the calculation. Those details are now provided on subsequent pages.

As well, background reports show how a customer's accrual adjustments, structural change adjustments, and supply management adjustments, if applicable, are all calculated.

The new format for CPBs was shared at agent information meetings in early January 2009, and received very positive feedback.

Interim payment applications and new participant forms for AgriStability were also revised to make them easier to read and complete.

Clearer Production Insurance (PI) renewal packages

In PI, renewal packages were redesigned to make them easier to understand.

Customers have been positive on this change. Agricorp also created plan overviews for a number of crop plan groups, which will help producers learn the plan details, choose the right crop plan for their needs, and understand their responsibilities.

The plan overviews cover crop groupings that are commonly grown together. For example, there is now a single plan overview for all grains and oilseeds. In the past, Agricorp would have created a plan overview for fall-seeded grains and oilseeds and one for spring-seeded, even though Ontario grain and oilseed producers often grow both fall-seeded and spring-seeded crops. Similarly, fresh market vegetable producers can learn about and compare all the different PI plans available to them in one source, rather than having to read three overviews.

Better letters

Many of Agricorp's letters were confusing to customers as evidenced by the number of calls received asking for clarification, in all programs. The agency has reviewed and revised a significant number of its most frequently used form letters, and the work will continue into next year as letters are developed through the program cycles. The new letters are easier to read and often shorter, allowing customers to more quickly understand what is required.

Cross-program pocket calendar

Agricorp created a pocket calendar that contains all program deadlines and events that Agricorp attends. This provides both customers and staff with a cross-program view of Agricorp activities and cycles in one user-friendly document.

Improving e-communications

Agricorp examined its electronic customer communications this past fiscal year, and began introducing a number of improvements.

The first improvement planned was the creation of an electronic form that producers could use to complete and submit their acreage reporting online, for 16 spring-seeded PI crops.

On-line acreage reporting will improve customer service by giving customers 24/7 access to the



form, instead of being confined to reporting during call centre operating hours. This alternative electronic option will also help improve efficiency – and service to callers – by helping to reduce volumes, especially during peak periods.

The form was on schedule to be launched in time for 2009 spring-seeded acreage reports.

Another initiative identified is the enhancement Agricorp's existing web site to make it easier to see relevant program information. Scheduled for completion in 2009-10, the new and improved Agricorp.com will give producers easier access to program information that is clear, consistent and current.

Finally, customers and their agents need to be able to print the information they submit through *myAgricorp.com*. Agricorp made that a reality for the 2008 program year. Also for 2008, corporations can now submit their Statement A tax forms through *myAgricorp.com*. Before, they could only submit the forms on paper. For information about improvements made to *myAgricorp.com* for agents' use, please see page 14.

Relevant, responsive programs

Agricorp strives to be a partner in developing innovative products and services that help its customers manage risk. While program policy is primarily governed by the federal and provincial governments, Agricorp influences program design by providing its delivery perspective. The agency has a more direct role in developing and enhancing Production Insurance plans and works with industry stakeholders to identify opportunities for improvement.

Over the past year, Agricorp regularly met with commodity groups such as the Ontario Apple Growers, Ontario Fresh Vegetable Growers Association, the Risk Management Advisory Committee and the Seed Corn Growers

Association, among other key stakeholder groups.

Some of the outcomes of these discussions included:

- Plan enhancements
- Increased coverage levels for some crops
- Revised methods of calculations to better align with industry methodology,
- Design of new plans

Agricorp plans to continue strengthening its relationships with commodity groups by soliciting industry feedback, promoting a greater understanding of Agricorp's role in product development, and building relationships to better serve the agricultural industry.

Core programs

AgriStability

AgriStability protects producers against large declines in their net farming income due to market conditions, production loss, or increased costs of production. Program benefits are triggered when the production margin in the program year falls below the reference margin.

Production Insurance (PI)

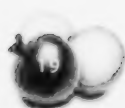
PI protects Ontario producers from yield reductions and crop losses caused by adverse weather and other insured perils. Coverage is available on 90 commercially grown crops. More than 16,000 producers and 5 million acres of Ontario farmland were insured in 2008.

Risk Management Program (RMP)

RMP helps Ontario grain and oilseed producers offset losses caused by low commodity prices. Agricorp has been delivering this three-year pilot program since it was announced in August 2007.

RMP in second year of three-year pilot

RMP for Ontario grain and oilseed producers — launched to meet the needs of an important industry — is now its second year of a three-year



pilot. In RMP's first year, Agricorp issued more than \$44 million in payments.

In 2008, Agricorp collected premium payments and ensured that RMP participants were actively enrolled in both PI and AgriStability, consistent with program eligibility. However, this required validating producer eligibility on two separate and distinct databases, as the two systems were not designed to work together. To give producers more flexibility, Agricorp also offered a choice of four coverage options, with lower premiums for lower coverage.

Despite the premium requirement and high commodity prices, participation levels in RMP remained high in 2008. Approximately

9,000 producers remained in the program, a reduction from the 11,500 who had participated in 2007.

As of March 2009, Agricorp has issued more than \$50 million in RMP payments for the 2007 crop year. The forecasted payment amount for the 2008 crop year is \$5.1 million. The Ontario government will evaluate the RMP pilot in the summer of 2009 to determine the future of the program. Agricorp will continue delivering the three-year pilot well into 2010.

Meeting producers' evolving needs

In February 2008, the federal and provincial governments announced the new Canada-Ontario Orchards and Vineyards Transition Program (OVTP), a program to help grape, apple, and tender fruit producers adapt to industry pressures and changing markets.

OVTP is a three-year program running from 2008 to 2010. Producers receive up to \$1,618.74 per acre to help with the cost of removing and disposing of fruit trees and vines, up to a

maximum of \$800,000 per producer over the program's lifetime. Producers may submit multiple applications, one for each individual removal project, any time before September 30, 2010.

In May 2008, Agricorp was officially announced as the agent to deliver the stock removal component of the program in Ontario. Within a few weeks, Agricorp was ready to start program delivery and had developed internal procedures, program communications, and an application process.

In late August 2008, Agricorp issued the first cheques to producers who had completed their removal projects. As of March 31, 2009, Agricorp had delivered \$8.2 million in financial support to 368 growers, representing 3,220 acres.

For phase one of OVTP delivery, Agricorp processed most applications using a manual database. Over the course of the program's first year, Agricorp started automating the delivery of OVTP using its Data Management System, which is also used to support other programs and services geared to the apple, grape, and fresh-market vegetable sectors.

In approximately 75 percent of cases, Agricorp staff had to conduct a site visit to determine whether an application met program criteria. Agricorp used GPS technology to measure the growing area, which determines the size of the approved removal and the corresponding payment. Before issuing payments, Agricorp adjusters inspected all completed removals to ensure that they were done according to program guidelines and the verified application.

In future, Agricorp will be required to ensure that removal sites receiving OVTP payments have remained in agriculture or are available for agricultural use for at least five years. This will involve site visits and audits until the year 2016.



People

Agricorp strives to have engaged, respected and skilled employees, at all levels of the organization. As a result of its ongoing training and organizational development, Agricorp's workforce is resilient, professional, knowledgeable and focused on its customers.

As mentioned in the **Faster, more accurate processing** section (page 13), to enhance the focus on the customer's experience and improve Agricorp's ability to respond to new or changing programs, the agency has introduced changes to its delivery processes and the way its employees work. Full implementation of these enhanced processes and organizational design is expected to take place over the next two years.

Changing organizational structures to serve customers better

Information technology is a critical enabler of Agricorp's goal to provide excellent service to customers.

In 2008-09, significant progress was made in establishing the right organizational structure and resources to ensure Agricorp's Information Technology Services (ITS) department can deliver on its customer commitments.

The organization hired a Chief Information Officer (CIO) whose main responsibility is to ensure that Agricorp's business solutions support its delivery needs. As a member of the Senior Management Team (SMT), the CIO provides strategic advice for the effective use of information technology and the successful implementation of technology-enabled change. The CIO also ensures that information technology initiatives are prioritized and managed according to established metrics.

The addition of the CIO role followed a restructuring of ITS intended to better align its people and resources to better meet customer

needs through a more effective delivery model, as well as improve Agricorp's day-to-day work and build capacity for the future.

High Five – Recognizing great Agricorp employees

Agricorp's High Five program enables employees to recognize and reward co-workers for their individual contributions and for the collaborative efforts of teams. High Five has three components:

- **Formal High Five**—The formal component of the High Five program allows peers to nominate peers who have performed exceptionally in applying one or more of Agricorp's five core qualities in the workplace (see sidebar on Core Qualities)
- **Informal High Five**—Informal recognition can take place anytime, anywhere, and can be given by anyone to a co-worker who demonstrates initiative, positive attitude, dedication, and excellent customer service
- **Years with Agricorp**—As a celebration of an employee's contribution to Agricorp, certificates are awarded to employees who have been employed at Agricorp for 10 years or longer

In 2008-09, 34 staff members and 7 teams were nominated for formal High Five awards.

**Agricorp's
Core Qualities**

- Collaboration
- Efficiency
- Proactivity
- Professionalism
- Quality Focus



Looking Forward

As part of its renewal plan, Agricorp has developed a delivery transformation vision that challenges the organization to provide excellent customer service, including developing the capacity to deliver complex and evolving programs to Ontario's farmers. In the future, Agricorp's customers will:

- Know the agency's delivery commitments, receive the service they expect, and be engaged to provide feedback about programs and services
- Receive service from a flexible organization of engaged, knowledgeable, and skilled people
- Choose from an array of risk management programs using their preferred method of communication to do business with Agricorp
- Be assured that any new programs developed to meet the needs of a dynamic industry will be supported by more refined, integrated data
- Benefit from consolidated, cross-program information for each of their businesses and from consistent, accurate internal procedures that are automated wherever possible
- Be assured that public accountability principles continue to be followed.

Agricorp realizes this vision is a long-term commitment that will require strategic decisions about the agency's funding. Recognizing the current fiscal limitations and the broader financial climate, Agricorp is transforming its delivery through measured steps over time.

In the short and medium term, Agricorp is making improvements to customer service and delivery efficiency that will enable a predictable and consistent customer experience across

programs. This work will also enable the agency to respond more quickly and effectively to new programs while minimizing the impact on other delivery priorities.

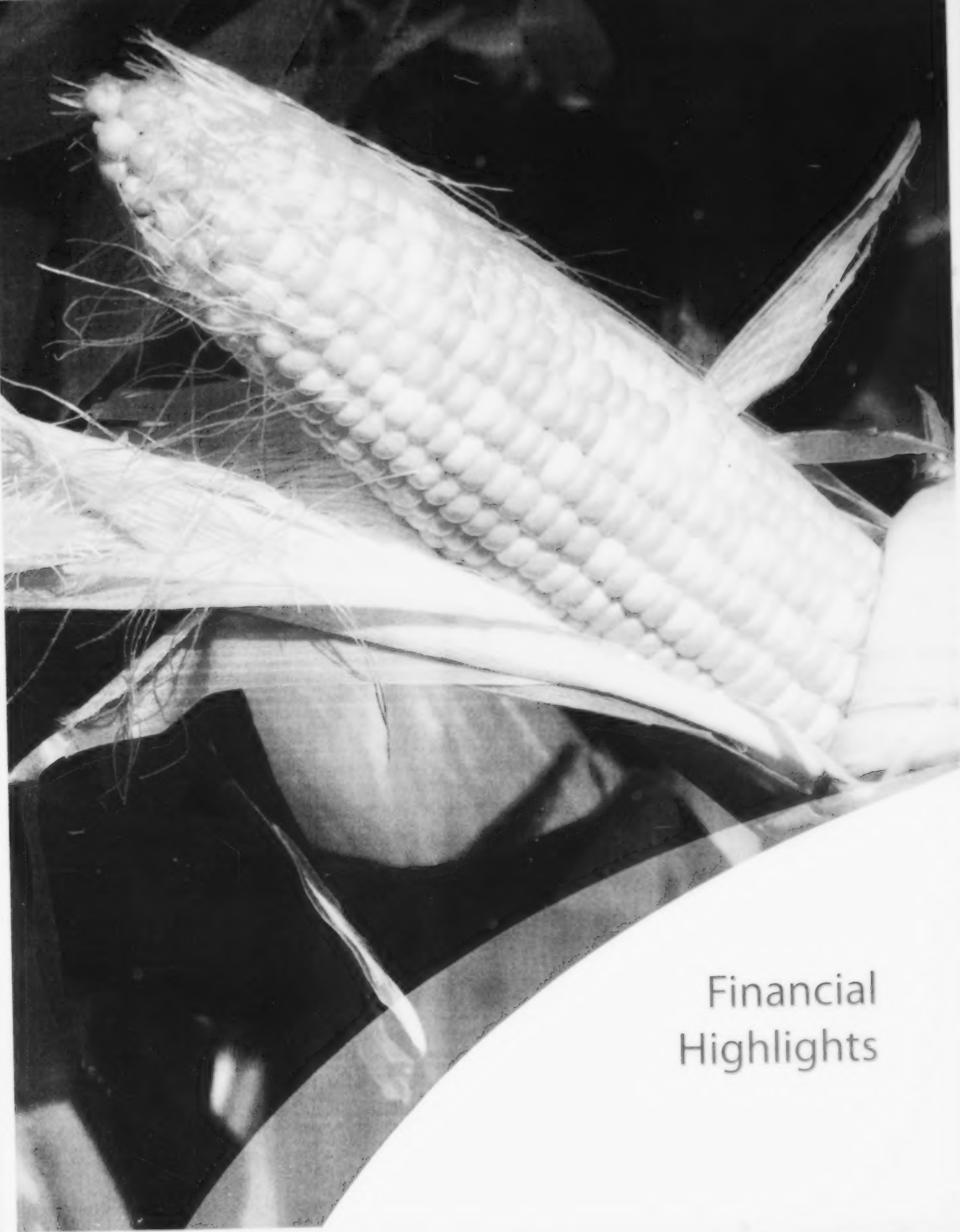
Agricorp is focused first on standardizing its processes and aligning its people to support these processes. Standardized processes will achieve three key results:

- More timely, streamlined, and reliable handling of customer files;
- A delivery environment that can more quickly adapt to new programs, policy changes, integration of programs, or innovative use of data in line with the policy agenda of Growing Forward;
- A strong foundation for future technology improvements and even greater efficiencies

Agricorp will also continue making incremental improvements to its existing technology systems while working with other jurisdictions to explore options for a longer-term technology solution.

Agricorp strives to earn the support and confidence of Ontario's farmers. Ensuring that its customers are at the centre of everything the organization does and creating an excellent customer experience remain paramount.





Financial Highlights

CAIS/AgriStability Program

The Canadian Agricultural Income Stabilization (CAIS) program was transitioned to the AgriStability program starting with the 2007 program year. Program payments for 2006 and prior years are made under CAIS.

In 2008-09, more than 8,100 CAIS/AgriStability participants received program benefits totaling \$233 million. CAIS/AgriStability payments were supplemented by funding under the General Top-Up program.

Production Insurance Fund

Producers experienced mixed growing conditions throughout most of Ontario in 2008, as well as higher commodity prices. The abundance of moisture benefited most crops, resulting in above average yields. However, localized weather patterns did create significant variations in some regions. Agricorp had claims of \$53 million, down sharply from \$111 million in 2007. The PI fund balance now stands at \$422 million, up significantly from \$325 million in 2007.

Risk Management Program

RMP is a three-year pilot program announced by the province in 2007 to help primarily Ontario grain and oilseed producers. This pilot program paid out a further \$8 million to 9,300 producers for the 2007 crop year as an advance against the Ontario portion of AgriStability benefits for the 2007 program year.

Other Government Programs

New programs are used to respond quickly to new pressures in specific agricultural sectors. In 2008, the Orchards and Vineyards Transition program was announced and Agricorp commenced delivery of the program. In total, Agricorp delivered an additional \$23 million to Ontario producers on account of the Adhoc programs (new and continuing) and for other smaller programs.

Self-Directed Risk Management Program (SDRM)

The SDRM program is a provincially funded risk management program available to Ontario horticulture producers who participated in AgriStability for the 2008 stabilization year. Producers' funds are deposited into an SDRM account and are matched with government provincial dollars. Withdrawals are triggered when the producer experiences income loss related to the 140 horticultural crops covered by the plan. In 2008-09, SDRM participants received \$8.5 million under the program.

General Fund

Agricorp receives funding from both Ontario and Canada for the costs incurred in administering these programs under contract.

Notes

Details of the program payments for the various programs are shown in the information in note 4 of the Financial Statements.



Management's Responsibility for Financial Reporting

The accompanying financial statements and the financial information in the annual report have been prepared by management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Management is responsible for the accuracy, integrity, and objectivity of the information contained in the financial statements.

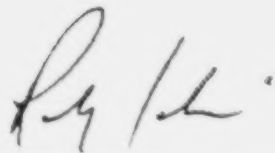
Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

The financial statements include some amounts, such as provision for unsettled claims that are necessarily based on management's best estimates and have been made using careful judgment.

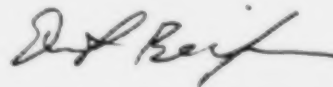
In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly to oversee Agricornp's financial activities and annually reviews the financial statements.

The financial statements have been examined independently by the Office of the Auditor General of Ontario on behalf of the Legislature and the Board of Directors. The Auditor's Report outlines the scope of their examination and expresses their opinion on the financial statements of the company.



Randy Jackiw
Chief Executive Officer



Erich Beifuss
Chief Financial Officer

Auditor's Report



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

To AgriCorp
and to the Minister of Agriculture, Food and Rural Affairs

I have audited the balance sheet of AgriCorp as at March 31, 2009 and the statements of operations and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
May 29, 2009

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

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Balance Sheet

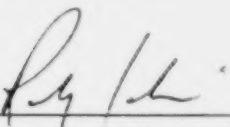
As at March 31, 2009 (\$ thousands)

	2009			2008
	General Fund	Production Insurance	Total	(note 3)
Assets				
Cash	1,654	404	2,058	888
Investments (note 6)	1,500	455,016	456,516	352,307
Accounts receivable (note 5)	15,250	4,106	19,356	19,644
Funds under administration (note 4)	48,458	-	48,458	34,385
Prepaid expenses	849	-	849	167
Capital assets (note 7)	2,057	-	2,057	3,795
Total Assets	69,768	459,526	529,294	411,186
Liabilities & Fund Balance				
Accounts payable and accrued liabilities	6,182	2,974	9,156	8,981
Unearned premiums and revenue (note 10)	7,370	22,851	30,221	29,057
Provision for unsettled claims	-	11,860	11,860	5,762
Funds under administration (note 4)	48,458	-	48,458	34,385
Total Liabilities	62,010	37,685	99,695	78,185
Fund Balances	7,758	421,841	429,599	333,001
Total Liabilities & Fund Balances	69,768	459,526	529,294	411,186

Approved on Behalf of the Board



David Epp, Acting Chair



Randy Jackiw, Chief Executive Officer

Statement of Operations and Fund Balances

For the Year Ended March 31, 2009 (\$ thousands)

	2009			2008
	General Fund	Production Insurance	Total	(note 3)
Revenue				
Operating funding - Ontario and Canada (note 9)	39,571	-	39,571	34,423
Premiums from producers	-	56,137	56,137	45,021
Funding - Ontario and Canada	-	85,454	85,454	68,910
Sales, consulting and other services	7,837	-	7,837	5,778
Investment income	113	15,026	15,139	16,178
Total Revenue	47,521	156,617	204,138	170,310
Expenses				
Claims	-	53,052	53,052	111,604
Reinsurance (note 11)	-	19,260	19,260	16,217
Administration	47,579	-	47,579	40,233
Bad debts	-	473	473	29
Total Expenses	47,579	72,785	120,364	168,083
Excess (deficiency) of revenue over expenses	(58)	83,832	83,774	2,227
Change in fair value of assets classified as available for sale	-	12,824	12,824	1,141
Fund balance, beginning of year	7,816	325,185	333,001	329,633
Fund Balance, end of year	7,758	421,841	429,599	333,001

Statement of Cash Flows

For the Year Ended March 31, 2009 (\$ thousands)

	2009			2008
	General Fund	Production Insurance	Total	(note 3)
Cash provided by operating activities				
Excess (deficiency) of revenue over expenses	(58)	83,832	83,774	2,227
Items not requiring an outlay of cash:				
Amortization of capital assets	2,206	-	2,206	2,689
Change in fair value of assets classified as available for sale	-	12,824	12,824	1,141
	2,148	96,656	98,804	6,057
Changes in non-cash working capital:				
Net change in accounts receivable	(5,982)	6,270	288	(5,875)
Net change in prepaid expenses	(682)	-	(682)	226
Net change in accounts payable and accrued liabilities	772	(597)	175	3,391
Net change in unearned premiums and revenue	3,574	(2,410)	1,164	13,640
Net change in unsettled claims	-	6,098	6,098	4,245
	(2,318)	9,361	7,043	15,627
Net cash provided by operating activities	(170)	106,017	105,847	21,684
Cash flows from financing activities				
Decrease (increase) in investments	1,496	(105,705)	(104,209)	(20,498)
Cash flows used in investing activities				
Purchase of capital assets	(468)	-	(468)	(1,945)
Net increase (decrease) in cash	858	312	1,170	(759)
Net cash, beginning of year	796	92	888	1,647
Net cash, end of year	1,654	404	2,058	888

Notes to the Financial Statements

1. NATURE OF OPERATIONS

The AgriCorp Act, 1996 established AgriCorp (Corporation) as a corporation without share capital. It was established as an Ontario Crown agency on January 1, 1997. Its mandate is to deliver agricultural safety net plans and services to the farm, food, and rural sectors of Ontario. These initiatives can be segregated into two: a Non-entitlement Program-Production Insurance (PI) and Entitlement Programs which are administered by the Corporation on behalf of the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA).

Non-Entitlement Program

PI was established in 1966 and currently operates pursuant to the Crop Insurance Act (Ontario), 1996. For all major crops grown in Ontario, PI provides insured growers with protection against yield reduction caused by natural perils.

Entitlement Programs

AgriStability, Ontario Risk Management Program (RMP) and Orchards and Vineyards Transition Program (OVTP) are current examples of Entitlement Programs. These programs, as detailed under note 4, are administered by the Corporation on behalf of OMAFRA, the Federal Government, or other organizations. The rules regarding payments to clients are determined by the programs and in the formal agreements with the Corporation. The funds paid out under these programs flow from either Ontario or Canada or both through the Corporation to qualified applicants.

Other

The Corporation is responsible for the delivery of the Farm Business Registration Program (FBR) established under the Farm Registration and Farm Organizations Funding Act, 1993. Under an agreement with OMAFRA the Corporation's primary obligations include registration of farm businesses, collection of registration fees, and

forwarding the fees net of an administrative charge to Ontario's accredited General Farm Organizations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Corporation have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles (GAAP). These financial statements are, in management's opinion, properly prepared within reasonable limits of materiality, statutory requirements and the framework of the accounting policies summarized below:

The Corporation uses fund accounting whereby the activities in each program are accounted for in separate funds. The General Fund is used to account for all administrative costs and revenues, as well as for all un-segregated activities.

(b) Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and fixtures	4 years
Computer hardware	3 years
Computer software	2 years
Leasehold improvements	5 years

(c) Pension Plan

The Corporation sponsors a contributory defined benefit registered pension plan for all full-time employees. The Corporation contributes to the plan based on employee contributions and a factor determined by the plan's independent actuary. The cost of pension benefits for the defined benefit plan is determined by an independent actuary using the projected benefit method prorated on service and management's best estimates of expected plan investment performance, salary escalation, and retirement ages of employees. Pension plan assets are valued using current fair values and any actuarial

adjustments are amortized on a straight-line basis over the average remaining service life of the employee group.

(d) Financial Instruments

The Corporation's financial instruments consist of cash and cash equivalents, short-term investments, long-term investments, accounts receivable, accounts payable and accrued liabilities, and a provision for unsettled claims. Under Canadian generally accepted accounting principles financial instruments are classified into one of five categories; available-for-sale, held-for-trading, held-to-maturity, loans and receivables, and other financial instruments. The corporation classifies its financial assets and liabilities as follows:

- The Corporation has classified cash and cash equivalents, as well as short-term investments, as held-for-trading which are measured at fair value. Held-for-trading financial instruments are carried at fair value with changes in the fair value reported in earnings.
- Long-term investments in bonds and debentures are classified either as available-for-sale or held-for-trading and their fair value is determined using quoted market bid prices. Held-for-trading bonds and debentures are recorded at fair value with realized gains and losses on sale and changes in the fair value of these bonds recorded in net investment income in the statement of operations. Available-for-sale bonds and debentures are recorded at fair value with changes in the fair value of these bonds recorded in unrealized gains and losses booked as a charge to net assets. Realized gains and losses on sale are reclassified from net assets and recorded in net investment income in the statement of operations.
- Accounts receivable are classified as loans and receivables, which are measured at amortized cost.
- Accounts payable, accrued liabilities and provision for unsettled claims are classified

as other financial liabilities, which are measured at amortized cost.

- The Corporation has elected to use trade date accounting for purchases and sales of financial assets.

In December 2006, the Canadian Institute of Chartered Accountants (CICA) issued new accounting standards: Handbook Section 3862 "Financial Instruments – Disclosures"; Handbook Section 3863 "Financial Instruments – Presentation". These standards were expected to be effective for the Corporation's financial statements for the year ended March 31, 2009. However in December 2008, the CICA eliminated the requirement for not-for-profit entities to adopt these standards. The Corporation has continued to disclose and present financial instruments under Handbook Section 3861, "Financial Instruments – Disclosure and Presentation" for the year ended March 31, 2009.

(e) Revenue Recognition

Premium revenues are recognized in the year in which the related crops are harvested.

(f) Use of Estimates

In order for the financial statements to conform with GAAP, management makes use of estimates and assumptions that are reflected in the reported assets and liabilities and the reported revenues, expenses and fund balances during the reporting period. Actual results could differ from such estimates.

(g) Future Accounting Policy Changes

The CICA has issued revisions to Section 4400 which relate to not-for-profit organizations. These changes now allow the optional disclosure of net assets invested in capital assets, require application of Section 1540, "Cash Flow Statements", and requires reporting of revenues



and expenses on a gross basis in the statement of operations unless not required by other CICA guidance.

A new Section, CICA 4470, "Disclosure of Allocated Expenses by Not-for-Profit Organizations", requires certain disclosures when general support expenses are allocated to other functions.

The above changes in accounting policies are applicable to years beginning on or after January 1, 2009. Management is assessing the impact of these revisions to the financial statements. Management does not expect this change to have a material impact on the financial statement disclosure.

(h) Capital Disclosures

Effective April 1, 2008, the Corporation adopted the CICA Handbook Section 1535, "Capital Disclosures". Section 1535, "Capital Disclosures" establishes guidelines for the disclosure of both qualitative and quantitative information regarding an entity's capital and how it is managed. The section also requires disclosure of the requirements and the consequences of non-compliance. See note 15.

3. CHANGE IN ACCOUNTING POLICY

During the year, the Corporation reviewed its revenue and liability recognition accounting policies with regard to Entitlement programs. Since the Corporation acts as an administrator and paying agent for entitlement programs, the Corporation has changed its accounting policies for these programs to better represent the true nature of the activities. Accordingly, the Corporation no longer recognizes the revenue and expenses, nor the receivables and payables for these programs in its financial statements, based on the CICA Handbook Section 3400 and CICA Emerging Issues EIC-123. The Corporation accounts for the funds on hand for these programs as assets under administration and

funds under administration payable. These changes in accounting policies resulted in the restatement of the 2008 financial statements to comply with current policies. For the details related to Funds Under Administration see note 4.

4. FUNDS UNDER ADMINISTRATION

The Corporation provides administration services on a cost recovery basis to process and disburse payments to producers for agricultural programs. These programs are generally administered on behalf of OMAFRA for producers in Ontario, and cover joint Federal/Provincial programs, Federal only programs, and Ontario only programs. Individual program delivery agreements are in place for each program. Program payments are calculated according to the formal program requirements and the delivery agreements. Funding is provided by the Federal and Provincial governments and all funds are segregated in accounts under administration until such time as payments are processed for the producers. As described under note 3, the Corporation does not recognize program revenue or expenses or receivables or payables for these programs.

(a) AgriStability

AgriStability was established under the Growing Forward Framework Agreement as a continuation of the Canadian Agricultural Income Stabilization (CAIS) program. AgriStability is in effect for 2007 and subsequent years. This program provides agricultural producers with protection against declines in farm margin. For AgriStability and CAIS, participants must enroll in the program and pay administration and enrolment fees based on the selected level of coverage and a reference margin based on the individual participant's production margin for specified prior years. A program benefit is paid to the participant



based on the participant's selected level of coverage and when the participant's current production margin falls below the

set reference margin. AgriStability provides coverage for margin declines greater than 15 percent. The AgriInvest program, which is administered by the Federal Government, provides assistance to farmers for the first 15 percent of margin declines. The Federal and Ontario governments share the AgriStability program costs on the basis of 60 percent and 40 percent respectively.

(b) Ontario Risk Management Program (RMP)

The RMP program came into effect August 16, 2007 and expires on March 31, 2011. The program provides Ontario grain and oilseed producers commodity specific price support based on cost of production for the 2007, 2008 and 2009 crop years. The program is fully funded by Ontario and is an advance against Ontario's share of AgriStability program costs and reduces its share of AgriStability payments.

(c) Ontario Cost Recognition Top-Up Program (OCRT)

The OCRT program came into effect June 7, 2007 and expires on March 31, 2011. This program provides producers with a payment in recognition of increased agricultural production costs over the years 2000 to 2004. The Ontario payment is calculated as 66.67 percent of the Federal Cost of Production Payment Program (COP). Ontario funding for the Program is limited to \$55 million.

(d) Self-Directed Risk Management Program (SDRM)

Under the terms of the program, a producer deposits into the Program account a percentage of his eligible net sales and a matching contribution is also made into the account by

the Federal and/or Ontario governments.

Claims are paid out of the program account to participants, but the total payment amount for a program year shall not exceed the total available funds in the account. The current SDRM program delivery agreement between the Corporation and OMAFRA came into effect April 1, 2007 and expires on March 31, 2011.

(e) Orchards and Vineyards Transition Program (OVTP)

OVTP was established in 2008 under Agreement between OMAFRA and the Corporation to provide compensation to qualifying grape, apple, and tender fruit producers for part of the costs of removing and disposing of fruit trees and/or grapevines. This voluntary program was designed to assist producers to adapt to industry pressures and changing markets. This program is in effect for the 2008, 2009 and 2010 fiscal years. The program delivery agreement expires March 31, 2011.

(f) Ontario Cattle, Hog and Horticultural Payment Program (OCHHP)

The OCHHP program came into effect December 13, 2007 and expires March 31, 2011. Under the terms of the agreement, producers may be eligible to receive a one-time payment if they received a federal COP or OCRT payment, and have at least 50 percent of their allowable net sales in specified commodities (cattle, hogs and horticulture). The payment is based on a specified formula. This program is funded by Ontario to a maximum amount of \$140 million.

(g) General Top-Up Program (GTUP)

GTUP was established under the Canada-Ontario Implementation Agreement. Under the terms of the agreement, producers that participate in CAIS and received a payment under that program are eligible for a top-up payment that will be based on a fixed percentage of their 2003 and 2004 CAIS government benefits.

The Canada-Ontario shared funding for the Program will not exceed \$88 million.

(h) Plum Pox Program (PPV)

The Plum Pox Program was established pursuant to the Canada-Ontario Agreement on Responding to the Presence of the Plum Pox Virus in Ontario and came into effect on June 29, 2001. The Program is a multi-year plan to carry out plum pox detection surveys and other activities to help contain or eradicate the plum pox virus in Ontario. In addition, the program assists commercial tender fruit growers with the asset loss incurred when trees are removed as part of the plum pox control measures. Canada and Ontario have agreed to share overall program costs based on funds available for agricultural assistance at each level of government. The current program delivery agreement between OMAFRA and the Corporation came into effect April 1, 2008 and expires on March 31, 2011.

(i) CAIS Inventory Transition Initiative (CITI)

The CITI program came into effect May 18, 2006 and was extended to March 31, 2010. The Federal government will pay 100 percent of the program costs of which \$98 million is expected to be paid to Ontario producers for the 2003, 2004 and 2005 program years.

(j) Ontario Inventory Transition Program (OITP)

The OITP program came into effect September 14, 2006 and was extended to March 31, 2011. The total cost for the program is estimated at \$66 million for the 2003, 2004 and 2005 program years.

(k) Ontario Juice Grape Transition Program (OJGTP)

The OJGTP program delivery agreement came into effect June 15, 2007 and expired May 31, 2008. Under the terms of the agreement, producers of juice grapes are eligible to receive compensation, based on a maximum amount per acre, for the removal of juice grape vines and support systems. This program is funded by Ontario with an estimated cost of \$2.7 million.

(l) Farm Business Registration (FBR)

In accordance with the Farm Registration and Farm Organizations Funding Act (1993), every farmer in Ontario who grosses more than \$7,000 in farm income is required to register his farm business. In return for the registration fee, farmers pay a reduced property tax rate on agricultural land (25 percent versus 100 percent), and are granted membership in the general farm organization (GFO) of their choice.

The Corporation collects the fee from the producer and remits it less an administrative charge to the GFO of the producer's choice.



The following summarizes the transactions related to the Funds under administration for the year ending March 31, 2009:

(\$ thousands)	Opening balance Mar 31/08	Federal Funding	Provincial Funding	Other Funding	Payments	Closing balance Mar 31/09
AgriStability	17,498	145,580	96,792	4,820	(233,403)	31,287
RMP	2,907	-	6,800	5,712	(8,150)	7,269
OCRT	2,348	-	-	30	(1,631)	747
SDRM	2,458	-	3,836	4,306	(8,459)	2,141
OVTP	-	-	6,250	28	(5,214)	1,064
OCHHP	1,276	-	10,000	430	(9,344)	2,362
GTUP	3,592	-	-	220	(989)	2,823
PPV	168	2,370	1,492	(16)	(3,757)	257
CITI	2,021	(650)	-	(377)	(968)	26
OITP	1,525	-	-	(658)	(602)	265
OJGTP	-	-	199	-	(199)	-
Other	592	-	-	(375)	-	217
Total	34,385	147,300	125,369	14,120	(272,716)	48,458

Remaining Estimate

Remaining estimate of program payments:

The remaining estimate of program payments is the forecasted amount expected to be paid to producers for programs that the Corporation administers. With the change in accounting policy described in note 3, these amounts are no longer included in the Corporation's Balance Sheet.

(\$ thousands)	Mar 31/09	Mar 31/08
AgriStability	298,017	331,140
RMP	5,595	9,346
OCRT	1,445	3,075
SDRM	4,519	12,978
OVTP	6,686	-
OCHHP	1,020	10,363
GTUP	2,793	682
PPV	1,648	4,378
CITI	6,739	7,507
OITP	4,469	4,970
OJGTP	-	199
Other	184	228
Total	333,115	384,866

5. ACCOUNTS RECEIVABLE

Accounts receivable are comprised primarily of amounts due from the Federal and Ontario governments and amounts due from producers.

	2009	2008
(\$ thousands)		
Government funding - Canada	11,688	16,521
Government funding - Ontario	6,069	2,664
Other	1,599	459
Total	19,356	19,644

6. INVESTMENTS

Legislation restricts the Corporation's investments to highly liquid, high-grade instruments such as Federal and Provincial bonds, deposit notes issued by domestic financial institutions and other securities approved by the Minister of Finance.

(a) Portfolio profile

Investments are as follows:

	Carrying Amount and Fair Value	
	2009	2008
(\$ thousands)		
Short-term	125,511	67,728
Long-term		
Government of Canada	29,676	27,383
Province of Ontario	117,204	111,406
Other provincial governments	50,198	41,052
Provincial utilities	4,831	28,038
Financial institutions	129,096	76,700
Total long-term	331,005	284,579
Total Investments	456,516	352,307

(b) Maturity Profile of the Investment Portfolio

	2009	2008
(\$ thousands)		
<1 Year	125,511	67,728
1-3 Years	107,207	103,745
3-5 Years	171,306	107,038
>5 Years	52,492	73,796
Total	456,516	352,307

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2009	Net Book Value 2008
(\$ thousands)				
Furniture and fixtures	1,060	612	448	668
Computer hardware	5,960	5,323	637	878
Computer software	6,125	5,888	237	1,183
Leasehold improvements	1,866	1,131	735	1,066
	15,011	12,954	2,057	3,795

8. FINANCIAL INSTRUMENTS

Fair value:

For certain of the Corporation's financial instruments such as cash, short-term investments, accounts receivable, accounts payables and accrued liabilities, the carrying amounts approximate fair value due to their short-term maturity.

The fair value of investments is based on quoted market values.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Corporation's cash flows, financial position and income.



Fluctuations in interest rates have a direct impact on the market valuation of the Corporation's fixed income securities portfolio. The coupon rates from the long-term bond portfolio range from 3.55 percent to 6.25 percent with a weighted average yield of 5.02 percent. Fluctuations in interest rates could have a significant impact on the fair value of the bond portfolio. Although bonds are generally held to maturity, realized gains or losses could result if actual PI claim levels differ significantly from expected claims, and liquidation of long-term investments is required to meet obligations.

Credit risk

Credit risk is the risk that other parties fail to perform as contracted. The Corporation is exposed to credit risk principally through balances receivable from the Federal and Provincial governments and producers as well as through its investment securities. Credit risk arises from the Corporation's positions in term deposits, corporate debt securities, government bonds and from the possibility that the entities to which the Corporation advances funds may experience difficulty and be unable to fulfill their obligations. Legislation restricts the types of investments the Corporation may hold to high grade Canadian debt instruments and investments approved by the Ministry of Finance which significantly reduces credit risk.

9. OPERATING FUNDING - ONTARIO AND CANADA

Canada and Ontario have agreed to share the costs of administering PI, AgriStability and GTUP at the rate of 60 percent and 40 percent respectively. The cost to administer SDRM is funded by the Federal Government and/or Ontario, depending on the program year. The costs to administer the RMP, OCRT, OCHHP, OITP and OJGTP programs are funded by Ontario.

The costs to administer the PPV (Sampling) and CITI programs are funded by the Federal Government.

10. UNEARNED PREMIUMS AND REVENUE

Unearned premiums represent premiums (\$22.9 million) paid in advance to PI for crops that have yet to be harvested. These crops are not harvested until after the balance sheet date, giving rise to the deferral of the premiums received. Unearned revenue includes operating funding related primarily to the unamortized value of capital assets and prepaid expenses (\$2.6 million) and AgriStability fees (\$4.8 million) that are to be credited when earned.

11. REINSURANCE AGREEMENT

The Corporation has an ongoing program of reinsurance with a number of insurance carriers. This program provides for the reinsuring companies to assume PI losses based on negotiated thresholds. The Corporation purchased reinsurance for 2008 PI claims in excess of \$257 million to a maximum of \$408 million. As actual claims for the 2008 crop year were less than the minimum threshold, no reinsurance payments were received by the Corporation.

12. PENSION PLAN

The Corporation has a mandatory contributory defined benefit plan for its full-time employees. The changes for the defined benefit plan of the Corporation during the year are as follows:

	2009	2008
(\$ thousands)		
Accrued benefit obligation		
Balance at beginning of year	13,175	10,565
Current service cost	1,130	1,225
Interest cost	842	691
Employee contributions	1,161	947
Benefits paid	(333)	(253)
Actuarial gain	(5,119)	-
Balance at end of year	10,856	13,175
Plan assets	2009	2008
Fair value at beginning of year	10,308	9,243
Actual return (loss) on plan assets	(2,251)	(788)
Employer contributions	1,662	1,159
Employee contributions	1,161	947
Benefits paid	(333)	(253)
Fair value at end of year	10,547	10,308
Funded status		
Plan surplus (deficit)	(309)	(2,867)
Unamortized actuarial (gain)/loss	409	2,547
Unamortized transitional (obligation) asset	(91)	(104)
Accrued benefit (obligation) asset	9	(424)



The accrued benefit/(obligation) for the pension plan is included in accounts payable and accrued liabilities. The significant actuarial assumptions adopted in measuring the accrued benefit obligations of the Corporation are as follows:

	2009	2008
Discount rate to determine accrued benefit obligation	8.5	5.5
Discount rate to determine benefit cost	5.5	5.5
Expected long-term rate of return on plan assets	7.0	7.0
Rate of compensation increase	4.0	4.0

The net benefit plan expense is as follows:

	(\$ thousands)	
Current services cost	1,130	1,225
Interest cost	842	691
Expected return on plan assets	(809)	(700)
Amortization of transitional (obligation) asset	(13)	(13)
Amortization of unrecognized loss	79	6
Net benefit plan expense	1,229	1,209

An external investment advisor manages the investments held by the pension plan. Plan assets were invested in three balanced funds until May 1, 2009 when the Corporation changed its pension plan administrator and the Plan assets are currently invested in a diversified fund.

The most recent pension plan actuarial valuation was as of January 1, 2009. As of January 1, 2009, the plan was underfunded by approximately \$4.4 million on a going concern basis. The next actuarial valuation is expected to be completed as of January 1, 2010.

13. COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Corporation leases its office premises. The minimum aggregate rentals for the unexpired terms of these leases and other obligations are:

	(\$ thousands)
2010	2,190
2011	1,927
2012	592
	<u>4,709</u>

Contingencies

During the normal course of business, certain claims or program payments may be denied by the Corporation. As a result, various claims or proceedings have been or may be initiated against the Corporation. The disposition of the matters that are pending or asserted is not expected by management to have a material effect on the financial position of the Corporation or on its results of operations.

14. RELATED PARTY TRANSACTIONS

The Corporation has entered into several agreements to acquire services from OMAFRA. The cost for administrative, legal and audit services amounted to \$616 thousand. In addition, the Corporation rents its head office location from the Ontario Realty Corporation for a total cost for the year of \$1.3 million.

15. CAPITAL MANAGEMENT

The main objective of the Corporation when managing its capital is to safeguard its ability to continue as a going concern, so that it can

continue to deliver agricultural safety net plans and services to the farm, food and rural sectors of Ontario.

The Corporation is limited to administering the Production Insurance program, business risk management programs, and such other programs as are approved. AgriCorp ensures that it has sufficient capital and working capital through appropriate delivery agreements with its funding partners.

16. BOARD REMUNERATION AND SALARY DISCLOSURE

Total remuneration to members of the Board of Directors was \$20,939 during 2009 (2008 – \$22,421).

The Public Sector Salary Disclosure Act, 1996, requires the Corporation to disclose employees paid an annual salary in excess of \$100,000. For the 2008 calendar year, the amounts paid to such employees are:

Name	Position	Salary (\$)	Taxable benefits (\$)
Beifuss, Erich	Chief Financial Officer	152,963	520
Bhimji, Zeenat	Information Architect	104,197	365
Brown, Greg	Director, Risk Management	115,615	7,711
Cote-Kennedy, Annie	Director, Communication	111,719	161
Ensafi, Masoud	Manager, Systems Development	102,068	363
Fung, Patrick	Controller	110,591	390
Gallagher, Jocelyn	Senior Director, Human Resources & Organizational Development	132,465	460
Ip, Stephen	Director, Information Technology	140,858	5,510
Jackiw, Randy	Chief Executive Officer	170,623	12,486
Lennox, Lee Ann	Director, Strategic Management & Communications	100,832	351
Li, Joyce	Senior Manager, Corporate Project Management Office	102,170	360
Meneray, Debra	Senior Director, Program Delivery	129,639	471
Vlcek, Michael	Senior Director, Program Development	126,298	440
Wong, Roxana	Senior Project Manager	109,662	389

17. COMPARATIVE AMOUNTS

Comparative amounts have been restated to conform to the change in accounting policy as per note 3.





Connecting producers
with programs

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Version française disponible

Agricorp Annual Report 2008-2009 - ISSN 1715-7587 (Agricorp. Online)
Agricorp Rapport annuel 2008-2009 - ISSN 1715-7595 (Agricorp. En ligne)